

## Message Text

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ORIGIN DLOS-09

INFO OCT-01 SIG-02 ISO-00 /012 R

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APPROVED BY D/LOS:ELONG

-----092309Z 006926 /66

R 091548Z JUN 77

FM SECSTATE WASHDC

TO ALL DIPLOMATIC POSTS

USINT BAGHDAD BY POUCH

UNCLAS STATE 133116

FOLLOWING REPEAT USUN 1805 ACTION SECSTATE 08 JUN 77

QUOTE

UNCLAS USUN 1805

DEPT PASS ALL DIPLOMATIC POSTS

FROM US DEL LOS

E.O. 11652: N/A

TAGS: PLOS

SUBJECT: LOS CONFERENCE--WEEKLY REPORT, WEEK OF  
MAY 31-JUNE 3, 1977

1. SUMMARY: DURING THE SECOND WEEK OF CONFERENCE,  
WORK WAS CENTERED IN THE INFORMAL WORKING GROUP  
SET UP BY CHAIRMAN ENGO IN COMMITTEE I, UNDER NORWE-  
GIAN MINISTER EVENSEN. DISCUSSION OF THE SYSTEM OF  
EXPLOITATION REVEALED CONSIDERABLE MODERATE  
SUPPORT FOR A PARALLEL OR DUAL SYSTEM. U.S. DELIVERED  
MAJOR STATEMENT AT END OF WEEK ON FINANCIAL ARRANGE-  
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MENTS, INCLUDING FINANCING OF THE ENTERPRISE, WHICH  
WAS WELL RECEIVED. MEETINGS OF THE "GROUP OF 21"  
ON THE COMMITTEE II LL/GDS PROBLEM WERE HELD. US CONTI-  
NUES, IN PRIVATE CONVERSATIONS, TO MAKE CLEAR NECESSITY  
OF CHANGE IN TEXTS ON STATUS OF THE ECONOMIC ZONE  
AND SCIENTIFIC RESEARCH. END SUMMARY.

2. COMMITTEE I: A. GENERAL BY THE END OF THE WEEK,  
EVENSEN WAS CONVENING THREE SESSIONS A DAY IN ORDER TO CONCLUDE  
DEBATE ON KEY ELEMENTS OF THE SEABED REGIME BEFORE SUBMITTING  
A REVISED COMPROMISE TO CHAIRMAN ENGO DURING THE WEEK OF  
JUNE 6.

B. SYSTEM OF EXPLOITATION ARTICLE 22, 23, ANNEX I  
DISCUSSION CENTERED ON THE PARALLEL SYSTEM AS  
OUTLINED BY THE EVENSEN TEXTS. THE US, FRG,  
FRANCE, THE UK, AND JAPAN INTERVENED IN THE COURSE OF  
DEBATE ON ARTICLE 22 TO STRONGLY ENDORSE THE PARALLEL  
SYSTEM AND PROPOSE CHANGES TO THE EVENSEN TEXT WHICH  
WOULD STRENGTHEN THE CONCEPT OF ASSURED NON-DISCRIMI-  
NATORY ACCESS TO THE SEABED FOR STATE-SPONSORED  
MINERS. AT LEAST PROCEDURALLY, THE USSR SEEMED WELL  
DISPOSED TO THE EVENSEN TEXT. SOME COUNTRIES CONTINUED  
TO URGE A UNITARY SYSTEM, THERE WAS INCLONCLUSIVE  
DISCUSSION, INITIATED BY MEXICO, OF THE QUESTION OF A  
POTENTIAL RELATIONSHIP BETWEEN THE ENTERPRISE AND THE  
CONTRACTOR WITH RESPECT TO THE NON-RESERVED SITE.

C. FINANCING THE ENTERPRISE AND REVENUE SHARING  
ON JUNE 3, US (RICHARDSON) DELIVERED A LENGTHY  
STATEMENT ON FINANCING, DEALING WITH BOTH ENTERPRISE  
START-UP AND REVENUE SHARING. HE REITERATED US INSIS-  
TENCE ON ASSURED ACCESS FOR STATE-SPONSORED PARTIES AND A  
REGIME THAT DOES NOT DISCOURAGE SEABED PROVISIONS.  
HE CHIDED THE GROUP FOR SEEING TO FOCUS ON "HOW BEST  
TO DESIGN A SYSTEM FOR NON-EXPLOITATION". CONTINUING,  
HE REGRETTED THE TENDENCY TO BE "MORE CONSERVATIVE IN  
OUR PTOTECITIONISM THEN CREATIVE IN OUR QUEST; OFTEN,  
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MORE HESITANT FOR OUR FEAR THAN CONFIDENT IN  
OUR HOPE." ON REVENUE SHARING, RICHARDSON SUGGESTED  
MINIMIZING FRONT END FEES, AND ALLOWING EACH STATE-  
SPONSORED OPERATOR TO SELECT EITHER PROFIT SHARING  
OR ROYALTY PAYMENTS. UNDER THE PROFIT SHARING FORMULA,  
THE AUTHORITY WOULD RECEIVE 15-50 PERCENT OF NET PROCEEDS,  
DEPENDING ON THE OPERATOR'S SATE RATE OF RETURN.  
THE ROYALTY WOULD APPLY TO THE IMPUTED VALUE OF MINED  
NODES, SPECIFIED AS ONE-FIFTH THE GROSS FAIR MARKET  
VALUE OF THE PROCESSED FOR THE FIRST TEN YEARS OF  
COMMERCIAL PRODUCTION, RISING TO 50 PERCENT THEREAFTER. RICHAR-  
DSO ESTIMATED THAT EITHER PAYMENT SYSTEM WOULD RESULT IN  
REVENUES TO THE AUTHORITY OF \$5-10 MILLION PER SITE IN  
THE EARLY YEARS OF COMMERCIAL PRODUCTION, AND  
\$25-35 MILLION IN LATER YEARS.  
REVENUE SHARING IN THE EARLY YEARS WOULD BE IN-  
SUFFICIENT TO FIANCE THE START-UP OF THE ENTERPRISE,  
HE SAID, THUS REQUIRING A SUPPLEMENTAL SYSTEM OF  
GOVERNMENT-BACKED DEBT. THE GOVERNMENT GUARANTEES

WOULD BE APPORTIONED AMONG MEMBER STATES ACCORDING TO THE UN SCALE OF ASSESSMENTS, AND COULD INCLUDE-A REQUIREMENT FOR EACH STATE TO ADVANCE UP TO 10 PERCENT OF ITS CONTINGENT LIABILITY ON A REFUNDABLE BASIS. THE \$500-700 MILLION FINANCING PROGRAM WOULD COVER THE COSTS OF THE INITIAL SITE, BUT IF THE ENTERPRISE SEEKS TO FORM SEVERAL JOINT VENTURES WITH CONTRACTORS, THE GUARANTEES MIGHT BE APPORTIONED OVER SEVERAL SITES, RICHARDSON SAID.

INDIA FOLLOWED THE US WITH ITS OWN REVENUE SHARING PROPOSAL, THE TERMS OF WHICH PLACE A FAR HEAVIER BURDEN ON STATE CONTRACTORS.

THE APPLICANT WOULD APY:

--APPLICATION FEE OF \$100,000;  
--MINING RIGHT CHARGE: \$1 PER TON OF DRY NODULES ALLOWED TO BE RECOVERED, DEPOSITED WITHIN ONE MONTH AFTER AWARDING CONTRACT (APPROX. \$60  
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MILLION);  
--TAX AT THE RATE OF 20 PERCENT OF GROSS SALES FROM PROCESSED METALS;  
--ROYALTY AT RATE OF \$5 PER TON OF DRY NODULES MINED;  
--AFTER CONTRACTOR'S TOTAL RETURN IS 200 PERCENT OF CAPITAL INVESTMENT, FUTURE NET PROCEEDS WOULD BE DIVIDED; 60 PERCENT TO AUTHORITY AND 40 PERCENT TO CONTRACTOR.

3. COMMITTEE II: COMMITTEE II DID NOT REPEAT NOT MEET THIS PAST WEEK, BUT INFORMAL COMMUNICATIONS TOOK PLACE ON SEVERAL ISSUES, INCLUDING THE HIGH SEAS STATUS OF THE EEZ, RIGHTS OF LL/GDS TO EXPLOIT LIVING RESOURCES IN THE EEZ OF THEIR NEIGHBORS/ REGION, AND DEFINING THE CONTINENTAL SHELF WHERE IT EXTENDS BEYOND 200 MILES, COUPLED WITH REVENUE SHARING. THERE ARE SIGNS THAT INCREASED NUMBER OF STATES RECOGNIZE NECESSITY TO MODIFY ARTICLE 75, WHICH INCORRECTLY EXCLUDES THE ECONOMIC ZONE FROM THE HIGH SEAS.

4. COMMITTEE III: CHAIRMAN YANKOV (BULGARIA) ARRIVED AND INDICATED A DESIRE TO BEGIN INFORMAL WORK IMMEDIATELY. JOSE VALLARTA (MEXICO) WILL CHAIR IN- FORMAL SESSIONS ON POLLUTION WHILE YANKOV HIMSELF WILL CHAIR CONSULTATIONS ON MARINE SCIENTIFIC RE- SEARCH. IN GENERAL, MOST DELEGATIONS SEEM SATISFIED WITH MARINE POLLUTION TEXT, BUT WILLING TO TRY TO IMPROVE AND CLEAN UP TEXT. ON SCIENTIFIC RESEARCH, THERE IS GROWINGrecognition of NEED FOR CHANGE IN ARTICLE 60 OF PART III, WHICH PRE-

SENTLY ESTABLISHES OVERLY BROAD REQUIREMENTS  
FOR COASTAL STATE CONSENT FOR SCIENTIFIC RESEARCH  
IN THE ECONOMIC ZONE.

5. PART IV -DISPUTE SETTLEMENT: THE INFORMAL PLENARY  
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MEETINGS ON DISPUTE SETTLEMENT WILL COMMENCE  
MONDAY, JUNE 6. THE GROUP OF 77 CONTACT GROUP CONTINUED  
TO MEET ON THE ISSUES.  
YOUNG.  
UNQUOTE VANCE.

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## Message Attributes

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